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Industrial Development Board

Twenty-fourth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 June 2001, at 10.15 a.m.

Temporary President: Mr. ORTIZ (Spain)
President: Mr. HOSSEINI (Islamic Republic of Iran)

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The meeting was called to order at 10.15 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-fourth session of the Industrial Development Board.

2. Development was a prerequisite for peace. His country was closely involved in cooperation for development, as borne out by its status as a major donor to the United Nations system and its bilateral assistance efforts. He thanked delegations and the Secretariat for their cooperation and support during his term of office as President of the Board. In that connection he highlighted the importance of consensus in international relations, and also of multilingualism.

3. The recent performance of UNIDO had enhanced the confidence of the membership, resulting in an increasing number of donor countries. UNIDO had long experience of cooperation with Governments and industry, and had earned a reputation as an honest broker with expertise in resolving industrial development problems. Its work had become more vital with the advance of globalization. Its mission was to assist countries in achieving sustainable development, and he hoped that it would be able to play a leading role at the following year's World Summit on Sustainable Development, to be held in South Africa.

ELECTION OF OFFICERS

4. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. P. Hosseini (Islamic Republic of Iran) for the post of President; Mr. A. G. Abdel Rahman Hassan (Sudan), Mr. F. Pittaluga Fonseca (Uruguay) and Mr. A. Fabijansky (Poland) for the posts of Vice-President; and Mr. C. Janssens de Bisthoven (Belgium) for the post of Rapporteur.

5. *The candidates were elected by acclamation.*

6. *The President took the Chair.*

7. **The PRESIDENT** said that the Organization should continue to focus its efforts on national capacity-building through multilateral cooperation. Cooperation and dialogue should be stepped up with a view to enhancing UNIDO's international standing and its role in alleviating poverty and protecting the environment. He was confident that the session would make progress along those lines and that a spirit of compromise would prevail throughout the deliberations.

ADOPTION OF THE AGENDA (IDB.24/1 and Add.1; IDB.22/CRP.1)

8. *The provisional agenda (IDB.24/1) was adopted.*

ORGANIZATION OF WORK

9. **The PRESIDENT** proposed that the Board should once again decide to suspend rule 32 of the rules of procedure regarding the quorum. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

10. *It was so decided.*

INTRODUCTORY STATEMENTS

11. **Mr. PAULINICH** (Peru), speaking on behalf of the Latin American and Caribbean Group (GRULAC), thanked the current Director-General for his efficient leadership of UNIDO, which had proved crucial in overcoming the Organization's financial and institutional crises. During the current session, the Board would have the important task of deciding on the future leadership of the Organization. It should be guided by experience. UNIDO could only build on the process of reform embarked on four years previously under the same management, thereby ensuring the continued support of Member States. GRULAC believed that the election of Carlos Magariños for a further term of office would be the best guarantee of enhancing the Organization's role as the main agency of the United Nations system for promoting industrial development.

12. **Mr. YODA** (Burkina Faso) said that his country would do its utmost to contribute towards the success of the current session, which had a number of important items on its agenda. Africa's nomination of a candidate for the post of Director-General reflected the political commitment of the whole continent. Africa attached great importance to the work of the Organization, and had worked alongside other regions in the promotion of reforms. High-ranking officials from Africa had frequently visited UNIDO to provide input and support. Africa was not seeking preferential treatment, but merely an opportunity to participate fully in the Organization's activities. It was in that spirit that it was proposing Mr. Ouedraogo of Burkina Faso as its candidate for the post of Director-General.

13. Other important agenda items on which he looked forward to constructive discussion included the implementation of integrated programmes, resource mobilization, the Organization's overall financial situation and the programme and budgets for 2002-2003. Although he welcomed the fact that 43 integrated programmes had been drawn up, it was regrettable that less than a fourth of the resources required for their implementation had so far been mobilized. He paid tribute to those Member States which had contributed in that regard, urging others to follow suit. The Secretariat, in consultation with recipient countries, should review its resource mobilization strategy and explore all possible funding sources, including regional financial institutions. Burkina Faso had had to curtail certain activities owing to a shortage of funds.

14. With regard to the financial situation of the Organization, it was pleasing to note that, notwithstanding their economic problems, nine African countries, including Burkina Faso, were among the 40 States that had fully paid their assessed contributions up to 2001. The fact that 59 States had lost their voting rights and that arrears now totalled US$ 129,544,377 gave cause for genuine concern.

15. His delegation also noted with concern the reduction in resources allocated to major programmes C and D, which it regarded as crucial to the enhancement of cooperation activities and the fight against poverty. It also regretted the low level of execution of activities under the Industrial Development Decade for Africa (IDDA) for the years 2000-2001, and urged UNIDO to cooperate closely with the authorities in Africa with a view to setting up new mechanisms pursuant to the decisions taken by the Conference of African Ministers of Industry (CAMI) at its most recent meeting, in Madagascar. In conclusion, he reaffirmed his country's commitment to working to achieve the objectives of UNIDO, to which it pledged its full support.

16. **Mr. COCAUTHREY** (Côte d'Ivoire) said that following the coup d'état in December 1999 his country's constitution and democratic institutions had been suspended and its development programme had come to an abrupt halt. The return to normal democratic life had begun with a referendum in July 2000, following which a new Constitution had been adopted and national elections held, culminating in the election of Laurent Gbagbo as President of the Republic in October 2000. Other institutions provided for by the new Constitution would shortly be set up, whereupon a policy of decentralization and regionalization would be implemented. Socio-political tensions were easing following the establishment of a forum for national reconciliation. There had been a slight improvement in the economic situation, with a 1 per cent growth rate projected for 2001. In order to achieve economic development, the Government intended to apply strict fiscal and budgetary measures, holding inflation at about 3 per cent, enhancing the competitiveness of the domestic economy and improving the business environment so as to promote the development of the private sector.

17. In the context of efforts to develop the country's economy, the Government was launching an all-out assault on AIDS, which had wrought havoc on Côte d'Ivoire's productive capacity. Accordingly, the new President had established a Ministry with the exclusive mandate of combating AIDS — the first of its kind in the world. The new Ministry had drawn up a strategic and operational plan aimed both at prevention and at providing care for victims and their families country wide.

18. In its efforts to promote development, the Government was also concluding an interim programme with the Bretton Woods institutions. With regard to industrialization, a 3 per cent growth rate was projected for 2001. The Government intended to make industrialization a keystone of renewal, so as to build a modernized, diversified economy capable of sustainable development and better able to combat poverty. In a globalized free market economy, a competitive industrial sector was more vital than ever before. Côte d'Ivoire placed great hopes in UNIDO and in international industrial cooperation. He praised the excellent relations the Organization had maintained with Côte d'Ivoire since 1969, culminating in a $7.5 million integrated programme begun in October 1999; he urged donors and UNIDO to mobilize the remaining funds needed for the programme.

19. Côte d'Ivoire would do its utmost to assume its role as Chairman of the Patrons' Group of the Alliance for Africa's Industrialization (AAI). Through AAI, UNIDO had become more involved in the industrialization of Africa, providing welcome support for the various programmes. His delegation called on other international institutions and donors to lend their support to those efforts. UNIDO must, as a matter of urgency, draw up a new strategy to mobilize resources so as to secure full implementation of the programmes already adopted, and new ways must be found of involving more partners in industrial development. UNIDO should also work more closely with beneficiary countries to provide technical assistance and support for industrial development. In that regard, Côte d'Ivoire again called for the establishment of a UNIDO regional office in Abidjan, which had been the subject of a formal agreement between UNIDO and Côte d'Ivoire concluded in November 1999.

20. **Mr. GONZALEZ** (Chile) said that, under the leadership of the Director-General, UNIDO had managed to overcome the structural crisis which, during the 1980s, had called its very existence into question.

Though problems remained, among them the search for alternative sources of financing execution of the integrated programmes, UNIDO had now found the right way forward. Voluntary contributions by Member States must also be encouraged, so as to generate the resources needed for implementation of technical cooperation projects. His delegation noted with concern that the problem of insufficient resources was also partly attributable to the failure of a significant number of Member States to fulfil their obligations. About one third of Member States had lost their voting rights. One way of alleviating that situation would be to increase the number of donor States, together with their contributions to the various UNIDO programmes. Another possibility was to seek alternative sources of financing, particularly from the private sector—a strategy favoured by Chile.

21. While acknowledging that the Organization's core function was provision of technical cooperation services, Chile supported the activities undertaken by UNIDO in its capacity as a world forum, activities that raised its profile and increased its international visibility. In an era of globalization, it was important to forge alliances with the private sector, civil society and the academic world.

22. UNIDO had provided Chile with valuable guidance regarding the allocation of its limited resources. In recent years the Government had placed great emphasis on the application of science and technology to industrial activity, particularly with regard to clean technologies, a national technology foresight programme and environmentally sustainable development. UNIDO had lent valuable support in that regard. Its activities in collaboration with the Global Environment Facility (GEF) were of particular value, enabling national and regional projects to be developed and financed in areas such as climate change, biodiversity and protection of the ozone layer and oceans. In that connection, he drew attention to a project aimed at studying the effects of the Humboldt current on the coastal populations of Peru and Chile, and to a study of its environmental impact on Chile's southern coasts. Opposition to the Kyoto Protocol was a threat to sustainable development. Lastly, his delegation reiterated its support for the current Director-General's management of UNIDO, and its commitment to the Organization's goals.

23. **Mr. DE MIGUEL ALVAREZ** (Spain) said that in recent years the Director-General had effectively implemented a rational and ambitious programme of reforms drawn up by the Organization's governing bodies, enabling UNIDO to overcome its crisis and consolidate its capacity for action. Spain wished to see that direction maintained in the coming period. The outgoing President of the Board was to be congratulated on the manner in which he had guided its work, and Spain had every confidence in the capacity of the newly elected President to continue that work in an equally effective fashion.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 2000 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.24/2 and Corr.1 and Add.1; IDB.24/CRP.7)

24. **Mr. MAGARIÑOS** (Director-General) thanked the outgoing President of the Board for his admirable work in that capacity, and congratulated the incoming President and Bureau on their election. Since his management and administrative activities over the past year had been discussed at considerable length at the most recent meeting of the Programme and Budget Committee, he would not exercise his prerogative of reporting at length on those activities, but he drew attention to a document containing a brief report that had been circulated informally on the previous day. He would be pleased to answer questions and to provide additional clarifications in due course concerning the documentation provided. First, however, the Managing Director of the Field Operations and Administration Division would provide an overall introduction to agenda item 4, as well as to other selected items of the agenda, which, in view of time constraints, would not be introduced individually.

25. **Mr. MOHANTY** (Managing Director, Field Operations and Administration Division) highlighted major issues on which the Board needed to take decisions and make recommendations to the General Conference. From the Secretariat's point of view, the most important agenda item was the report of the Programme and Budget Committee (PBC) (agenda item 5). It covered two categories of issues: those on which the PBC had not made any recommendations, leaving it to the Board to make appropriate proposals to the General Conference; and those which had been examined in detail by the PBC both in plenary and during the informal consultations and for which suitable recommendations and/or draft decisions had been prepared for approval by the Board.

26. The two main items in the former category were the scale of assessments for apportionment of the regular budget expenses and the appointment of the External Auditor, on each of which the Secretariat had circulated detailed background documents (IBD.24/5 and IDB.24/7 and Add.1 respectively). It was hoped that the Board would make definitive recommendations to the General Conference on those subjects.

27. The most important subject in the second category was the programme and budgets for 2002-2003 (IDB.24/3 and IDB.24/20). The PBC had endorsed the Programme and Budgets for 2002-2003, as contained in document IDB.24/3, recommending approval of the

estimates of the regular budget gross expenditure of 137,922,300 euros to be financed from assessed contributions in the amount of 133,689,800 euros and other income of 4,232,500 euros, as well as the approval of estimates for the operational budget. However, one Member State had reserved its position on the figure for assessed contributions of 133,689,800 euros. The PBC had also requested the Director-General to give the Board more details on the changes proposed to the programme framework as outlined in document IDB.24/3, taking into account comments by Member States and the implications for the UNIDO budget as a whole. The information requested was provided in document IDB.24/20.

28. The PBC had also expressed concern at the negative growth in the operational budget and the reduction of major programmes C and D. Those issues were related: the main reason for the reduction of major programmes C and D was the lower level of technical cooperation delivery expected during 2002-2003. A significant portion of the resources for the regional offices directly contributed to the implementation of major programmes C and D; thus the Organization's substantive delivery capacity would be maintained during the 2002-2003 biennium. Furthermore, while the budgeted resources for those programmes had been reduced, the actual resources available might be higher in 2002-2003 than in the current biennium.

29. The Director-General had also been requested by the PBC to identify savings and efficiencies. One Member State (the largest contributor) had suggested that the estimates of budget expenditures should be further reduced through savings. However, when the Organization was struggling to maintain the level of resources earmarked for substantive programmes while keeping administrative expenditure to the minimum, scope for further reductions was very limited—in fact, non-existent. Document IDB.24/20 provided information on the extent of efficiency savings made in the administrative areas, namely major programmes F ("Administration"), G ("Buildings Management") and H ("Indirect Costs"), which totalled 7.6 per cent before recosting. Between January 1999 and June 2001 the number of posts in Administration and the Buildings Management Service had been reduced by as much as 16 per cent.

30. He wished to dispel the misconception that staff working in administrative units such as Personnel and Finance merely performed "administrative" or "bureaucratic" duties which could be downsized or even dispensed with. In addition to their necessary administrative functions, such staff also performed duties relating to technical cooperation activities, such as the recruitment of consultants, keeping the roster of experts up to date, purchase of equipment for technical assistance projects, funds mobilization and maintenance of accounts and evaluation. Also, while professional technical services could be contracted out to consultants, the same was not true of professional services provided by administrative staff. While the Secretariat would continue its efforts to identify and make additional efficiency savings, further budgetary cuts in the administrative areas were not possible and would indeed undermine the Organization's capacity to deliver technical cooperation assistance. Financial resources to strengthen UNIDO's substantive programmes must be sought through an increased level of voluntary funding by donor countries.

31. UNIDO was already bound to observe the principle of zero real growth, which reduced its capacity for strengthening reforms, its field organization and stepping up its technical cooperation programmes. The main thrust of the programme and budget proposals was therefore stabilization and consolidation. When comparisons were made with other international organizations, due account must be taken of the special situation of UNIDO, which had suffered excessive budget cuts in the past. On behalf of the Director-General and the Secretariat, he therefore urged Member States to recognize the genuine difficulties and constraints facing the Organization, to adopt the programme and budget proposals endorsed by the PBC in their entirety, and to recommend them to the General Conference for approval.

32. Other matters covered in the report of the PBC (IDB.24/22) were concerned with decisions on the Working Capital Fund, the financial regulations and the introduction of the euro. As he had mentioned earlier, issues which had not been discussed in the PBC were the scale of assessments for the fiscal period 2002-2003 and the appointment of an external auditor.

33. Agenda item 4 was concerned with the Annual Report of UNIDO for 2000, in connection with which a list of technical cooperation activities (IDB.24/2/Add.1) had been distributed.

34. With regard to item 6, which dealt with the financing of UNIDO programmes, it should be noted that annual funds mobilization for integrated programmes had increased from $23.7 million in 1999 to $32.4 million in 2000.

35. Item 7 provided a status report on UNIDO's environment-related activities, in particular on steps taken to strengthen the working relationship between the Organization and the Global Environment Facility, UNIDO's preparations for the World Summit on Sustainable Development to be convened at Johannesburg in September 2002, and activities in the area of climate change and the environment.

36. On item 8, concerning field representation, two documents had been submitted: IDB.24/15 and IDB.24/CRP.5. The latter document incorporated the results of a survey undertaken in response to Member States' recommendation that the Secretariat make an in-depth analysis of the current situation of the field offices and their contribution to technical cooperation delivery. That analysis confirmed that the role of the field offices was basically that of providing support for the proper functioning of the Organization. With regard to technical cooperation activities, technical personnel at Headquarters were the prime movers in programme and project formulation and implementation, while the field offices played a supportive role. Available financial resources prevented any basic or strategic restructuring and the Secretariat's efforts in the next biennium would be concentrated on stabilizing and consolidating the existing field structure.

37. The documentation on item 9 (IDB.24/16 and Add.1) provided information on UNIDO's involvement in the Third United Nations Conference on the Least Developed Countries, held in May in Brussels. Through its participation, the Organization had been able to bring the role of production systems and productive capacities to the forefront of the development process in the least developed countries (LDCs).

38. Item 10 related to administrative matters; items 11 and 12 dealt with recommendations of the Joint Inspection Unit (JIU) and with non-governmental organizations seeking consultative status, respectively; and item 13 was concerned with the recommendation of a candidate for the post of Director-General.

39. **Mr. SHOUKRY** (Egypt), speaking on behalf of the Group of 77 and China, said that the Annual Report of UNIDO (IDB.24/2 and Corr.1 and Add.1) indicated that much of the Organization's work in 2000 had been concerned with laying the foundations for structured sustainable development through global forum and technical cooperation delivery functions. While recognizing the relevance of global forum activities, the Group of 77 and China believed that such activities should serve to strengthen the technical cooperation programme. It was important to follow new trends in the development of technologies and translate them into practical programmes of technical cooperation in order to build industrial capacity in developing countries.

40. The Group was convinced that the industrialization strategy developed through the integrated programmes constituted one of the best means of ensuring the sustainable industrial development of developing countries and of alleviating poverty and ensuring productive employment. It noted with concern the fall in technical cooperation delivery during 2000 and wished to call upon all Member States to make more voluntary contributions available to implement technical cooperation activities. The Group believed that administrative costs could be reduced without endangering the effectiveness of the programmes. It would like to request the Secretariat to seek innovative ways of reducing those costs.

41. The Group again expressed its concern over the declining level of project implementation for 2000, only 82 per cent of approved projects having been implemented that year compared with 90 per cent in 1999. Donors and Member States should be urged to provide more resources and the Secretariat should make every effort to enhance the level of implementation.

42. The activities undertaken by UNIDO during 2000 in connection with investment and technology promotion constituted a positive endeavour, which needed to be further strengthened. The programme should be expanded so that as many developing countries as possible could benefit from it. The Secretariat might also clarify the criteria for organizing country promotion presentations and the delegates programme of the Investment and Technology Promotion Offices (ITPOs) with a view to providing a better understanding of the procedure and optimizing its use.

43. **Ms. LINDHOLM** (Sweden), speaking on behalf of the European Union and the candidate countries of Bulgaria, Cyprus, the Czech Republic, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Turkey and Slovenia, said that the European Union remained fully committed to the successfully reformed UNIDO and to the implementation of the Business Plan on the Future Role and Functions of UNIDO, adopted by the General Conference in 1997. While maintaining its universal character, the Organization should focus on LDCs, particularly in Africa. The European Union would support UNIDO in the ongoing process of adjusting its activities in accordance with its objectives in areas where it enjoyed comparative advantages, concentrating on strengthening industrial capacity and promoting cleaner and sustainable industrial development.

44. The European Union believed that the integrated programmes were the principal instrument of technical cooperation delivery and supported the further development of that concept, building on the experience gained during the first years of implementation of the Business Plan. Existing programmes should be adjusted and new programmes developed in close cooperation with recipient countries according to realistic projections of resource availability.

45. The European Union was of the view that technical cooperation in some areas was best delivered through global and regional programmes or stand-alone projects.

46. UNIDO's global forum function was an integral part of its mandate. Well-targeted global forum activities could form an important basis for the further development of the Organization's services and its ability to respond to ongoing changes in global industrial development.

47. The European Union continued to encourage the further development of cooperation between UNIDO and other relevant international organizations, including through the United Nations Development Assistance Framework (UNDAF) process, in order to enhance the impact of UNIDO's activities in achieving its objectives and to avoid duplication of effort.

48. **Mr. TOUQ** (Observer for Jordan), speaking on behalf of the Asian Group, said that the delivery level of UNIDO's integrated programmes gave cause for concern. Document PBC.17/CRP.5 showed that the Organization had been able to raise only 25.94 per cent of the total funds required for its planned activities in that connection. Of the geographical regions, Asia had received a mere 14.15 per cent of the funds needed. That huge shortfall was a matter that had to be addressed urgently. There had been a decrease in technical cooperation delivery from $83.5 million in 1999 to $68.7 million in 2000, and a sharp decline in the share of the Asian and Pacific region. The Group wished to urge the Secretariat to increase the technical cooperation delivery rate.

49. The administrative costs for major programmes C and D, which related to strengthening of industrial capacities and to cleaner and sustainable industrial development, had been disproportionately high during 2000. If those costs were added to the expenditure under major programme F, which was earmarked solely for administration, it could be seen that the bulk of UNIDO's budget was utilized for administration only. The Group wished to urge that the excessive proportion of administrative expenditure be reduced so that more funds could be made available for technical cooperation activities.

50. **Mr. PAULINICH** (Peru), speaking on behalf of the Latin American and Caribbean Group, said that technology foresight was a very important aspect of UNIDO's activities which had been developed recently. It would serve as a key instrument in the strategic development policies of the countries of the Latin American and Caribbean region, which supported the Organization's activities in that field. As a follow-up to the outcome of the meeting held in Trieste in December 1999, various activities had been undertaken with the aim of establishing national commissions in the countries of the region and steps had been taken to formulate national technology foresight programmes. At the seminar held in Montevideo from 10 to 13 December 2000, which had been attended by representatives from 15 countries of the region, the activities initiated by those States been reviewed and consideration had been given to further activities that could be undertaken in the future.

51. **Mr. DE JESUS FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, said that, while it noted from the Annual Report of the Director-General (IDB.24/2 and Corr.1 and Add.1) that UNIDO had, during the year 2000, laid the foundations for a number of new integrated programmes covering all regions, with priority given to Africa south of the Sahara and to LDCs, the African Group was concerned about the level of total funds available to ensure implementation of the 40 integrated programmes already elaborated. Of the total required funds of $247 million, only $59 million, approximately 24 per cent, was available. The Group wished to reiterate its request to the Secretariat to propose innovative mechanisms for funds mobilization in order to overcome that huge shortfall.

52. During the year 2000, three new programmes had been approved in addition to the 10 programmes being implemented in Africa. Of the total funds required to ensure full implementation of the 13 integrated programmes, namely $96.5 million, only $33 million—34 per cent—was available. The Group wished to urge the Secretariat, in cooperation with beneficiary States, to continue its efforts to enhance delivery.

53. It was a matter of concern that, three years after their elaboration, none of the integrated programmes had been fully implemented in the region. In the Group's view, that was due not only to a shortage of funds but also to other causes. Total technical cooperation delivery for Africa had decreased to $111.3 million, its level in 1997 having been $22 million. The Group urged the Secretariat to initiate measures in order to reverse that trend.

54. The Second Industrial Development Decade for Africa (IDDA II) would come to a close in 2002. The Secretariat should, in cooperation with all parties concerned, continue its efforts with a view to undertaking initiatives to ensure the prolongation of IDDA or to proposing a new mechanism to take over the role of IDDA during the next 10 to 20 years.

55. With regard to UNIDO's Global Environment Facility activities, the Group was gratified to note that the link with GEF had been strengthened through an intensive exchange of views and increased participation at meetings. The Secretariat should be encouraged to expand the different projects undertaken in the areas of industrial energy efficiency and cleaner production and environmental management.

56. The ongoing globalization of the world economy and production systems meant that investment

promotion activities were important for developing countries. The Secretariat should continue to support the efforts of developing countries and countries with economies in transition in bridging the technology gap through its international technology centres, and by providing them with sufficient human and financial resources to develop their activities.

57. **Mr. CHLEBO** (Observer for Slovakia) said that his delegation wished to express its gratitude for the effective administrative, financial and programmatic reforms implemented since the Director-General had assumed office. Slovakia fully supported the continuation of UNIDO's successful transformation in order to increase the impact, relevance and usefulness of the Organization in its task of promoting responsible and sustainable industrial development, as a means of achieving economic well-being and social development while ensuring environmental sustainability.

58. The world community had recently celebrated World Environment Day. His Government was highly appreciative of UNIDO's strong commitment to implementing practical solutions to improve industrial processes and prevent further degradation of the environment. Slovakia was involved in the activities of the global network of cleaner production centres with the aim of contributing to UNIDO's efforts to further the Stockholm Convention on Persistent Organic Pollutants (POPs) by helping developing countries and countries with transition economies to prepare inventories of existing stocks and action plans for their safe handling and destruction. The project could also contribute to improvements in production conditions, the care of the environment and the transfer of new technologies.

59. Slovakia strongly supported dialogue between the countries of the region and the world community. In 2000, his Government had successfully implemented economic reforms. In December of that year, Slovakia had become a fully fledged member of the Organization for Economic Cooperation and Development and had begun to participate in many activities on its agenda. In the regular report of the European Commission, Slovakia had for the first time been recorded as a market economy State. Also in 2000, owing to an improvement in the investment climate and the privatization of targeted State enterprises, there had been a large increase in foreign direct investment in Slovakia, amounting to $2.9 billion.

60. A major priority of UNIDO has been to encourage the expansion of the role of emerging donors within the region, in particular for the funding of neighbouring countries' programmes and projects. In 1999, Slovakia had financed the setting up of an investment and technology promotion office in Bratislava, whose establishment would mean a higher level of cooperation between UNIDO and Slovakia and closer interaction among UNIDO's ITPOs. Concentration of efforts to promote inward foreign direct investment in Slovakia's industry and services and outward investment and technology transfer to developing countries and transition economies could make a decisive contribution to ensuring that those countries' economies were connected to the global economy.

61. His Government fully supported the ongoing reform of UNIDO. It had paid its assessed contributions in full and on time and wished to encourage Member States to do likewise in order to enable UNIDO to implement its mandate in the interests of developing countries and countries with transition economies.

62. As a small country, Slovakia did not always have the means to resolve general issues but could compensate for that disadvantage by a determined and active approach to all major problems faced by the United Nations. Experience had shown that smaller countries could contribute significantly to the work of international organizations, partly owing to the fact that those countries were not burdened by power interests and were capable of presenting solutions acceptable to all. Slovakia had already demonstrated its ability to be an active player in the work of UNIDO.

63. **Mr. FREEMAN** (United Kingdom) said that his Government was pleased with the progress in reform registered under the stewardship of the Director-General. It had supported that process and wished to see it continue and deepen over the next four years.

64. To that end, it believed that UNIDO could benefit from developing a narrower focus, concentrating on a few core areas of activity. The Organization needed to work in those areas where it had comparative advantage and in areas which could not be more appropriately served by other international development agencies. It was especially important that UNIDO play an active part, through its development programmes, in the achievement of international development targets. UNIDO was well placed to collaborate with other major players in the environmental field through its links with the Montreal Protocol and GEF. UNIDO should be encouraged to expand its role in that area.

65. UNIDO's global forum activities were a key part of its programme. It was important for UNIDO to focus its global forum role on making globalization work for the least developed countries and for the alleviation of poverty. Given its limited financial resources, UNIDO could potentially achieve the greatest impact in the area of its normative global forum role, through the setting of standards in industrial development policy, research and the global spread of knowledge and good practice. To that end, and without detracting from the importance of appropriate levels of field representation, the

United Kingdom Government believed it important to retain strong core functions based in Vienna in order to implement the global forum agenda.

66. On the question of management reform, his Government would continue to support the reforms being pursued by UNIDO in that area and acknowledged the Organization's efforts to date to streamline its management structure. It also recognized that efforts had been made to introduce more effective means to monitor and evaluate UNIDO's development programmes.

67. His Government wished to encourage UNIDO to build on its relationships with other agencies in the United Nations system and to work closely with them in the context of UNDAF and the wider reform agenda of the United Nations.

68. **Mr. SHOUKRY** (Egypt) said that his country took a keen interest in the role played by UNIDO in support of the development of developing countries, a process in which effective cooperation among all peoples of the world had a decisive influence. Such interaction, which was essential for the development of humankind, should take due account of the concerns of countries facing the challenges of new development mechanisms. It was necessary to bear in mind the capacity of different peoples to pursue their development.

69. His Government wished to congratulate the Secretariat on the efforts that it had expended in implementing the programmes and activities of the Organization and hoped that those efforts would be maintained. It was appreciative of the Director-General's unceasing efforts to ensure that UNIDO continued to serve its Member States. The Organization should not be subjected to any measures that might have a negative impact on the effectiveness of its operations. While UNIDO should meet its obligations towards Member States, especially the developing countries, donor countries should also assume their responsibilities towards the developing countries, which needed to industrialize in order to serve their peoples.

70. With regard to the proposed programme and budgets for 2002-2003, while his Government recognized the need to ensure efficiency in UNIDO's expenditure, it felt that any decrease in the funding for major programmes C and D should be avoided.

71. Technical cooperation was an important area of activity. It was necessary to strengthen technical cooperation programmes for developing countries. Such programmes should be innovative so that UNIDO could continue to support the industrial development of those countries. The operational budget should be considered with that in mind, with a view to the avoidance of unnecessary cuts. The Secretariat should rectify the imbalances between operational and administrative expenditure.

72. The Government of Egypt fully supported UNIDO's field activities, which should be further strengthened as the principal means of achieving the Organization's objective, particularly in the developing countries.

73. **Mr. CHARRY SAMPER** (Colombia) said that his delegation supported the statements made by the representative of Peru on behalf of GRULAC and by the representative of Egypt on behalf of the Group of 77 and China. The comments of the representatives of the regional groups and other speakers should be taken into account in the course of the debate, which should not be merely a succession of monologues.

74. While the restructuring of UNIDO had been successful, it was important to maintain the momentum of that process. The Organization was still experiencing a chronic scarcity of funds and he wished to propose five ways of addressing that problem. First, UNIDO must encourage all Member States and other contributors to pay their assessed contributions, which formed the basis of the Organization's regular budget. Secondly, it was necessary to improve cooperation among the organizations of the United Nations system and the Bretton Woods institutions. Thirdly, a greater share of the budget should be allocated to technical cooperation. Fourthly, in addition to voluntary contributions, new sources of financing must be found. Transnational corporations, which were the major stakeholders in the current globalized economy, might be able to contribute to the Organization's budget and participate in the financing of specific projects. Decentralization was another way of increasing the overall financial capacity of UNIDO. Lastly, the Director-General should encourage the United States of America and the other industrialized countries that had withdrawn from UNIDO to rejoin the Organization.

75. He agreed with the representative of Sweden speaking on behalf of the European Union, that UNIDO should focus its priorities on sub-Saharan Africa and also encourage South-South cooperation. UNIDO should concentrate its efforts on specific large-scale projects instead of undertaking numerous small projects that lacked sufficient financing or had negligible impact.

76. **Mr. MAGARIÑOS** (Director-General) said that Member States should not draw erroneous conclusions from the Annual Report for 2000. It was necessary to have a broad overview of the Organization's performance in order to determine whether the decline in technical cooperation was a trend or merely a temporary situation that would soon be reversed. While there had been a record level of technical cooperation in

1996, many countries had left UNIDO that same year. Since that time, a number of new countries, including South Africa, had joined the Organization.

77. The representatives of the regional groups argued that UNIDO was not devoting sufficient attention to their regions or that the Organization's activities in their regions were unfocused. It was unfair to say that UNIDO had failed to mobilize funds. So far, $66 million, which represented 30 per cent of the Organization's funding requirements, had been mobilized, and he hoped that by the end of 2001 that sum would increase to between $90 million and $100 million. As for the regional distribution of the $66 million, $47 million (72 per cent) had been invested in Africa. Thus, UNIDO was succeeding in focusing its activities on Africa.

The meeting rose at 12.55 p.m.